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October 21, 2009

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Re: Docket No. 2008-0083, Application of Hawaiian Electric Company, Inc. for
Approval of Rate Increases and Revised Rate Schedules and Rules

Dear Parties:

Attached is a "Brief Outline of Questions for the Panel Evidentiary Hearing" for your use and information.

Should have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Carlito P. Caliboso".

Carlito P. Caliboso
Chairman

CPC:ac

Enclosure

Application of
Hawaiian Electric Company, Inc.
Docket No. 2008-0083
For Approval of Rate Increases And Revised Rate Schedules and Rules

BRIEF OUTLINE OF QUESTIONS FOR THE PANEL EVIDENTIARY HEARING

This document describes the primary lines of questions that the Commission and its moderator anticipate pursuing at the panel evidentiary hearing commencing on October 26, 2009. The Commission is not limited to the questions in this list, but issues this list to assist the parties in preparing so the parties may be better able to respond in full to these lines of questions at the hearing. Questions at the hearing will be more specific and numerous. Please see the schedule attached as Exhibit A to the Prehearing Conference Order filed on October 20, 2009, for the approximate time scheduled for each panel.

Panel 1: Opening Arguments

Panel 2: Employee Count/HCEI Related Positions/HCEI Related Outside Services

Were the cost of all HCEI positions and expenses removed from HECO's rates in compliance with the Interim Decision and Order?

Does the employee count reflect the removal of any temporary positions that are no longer needed?

What HCEI costs, including R&D costs, were removed from or kept in rates in response to the Interim Decision and Order that should remain in rates?

What are alternative cost recovery options for HCEI costs for projects that are approved by the Commission but whose cost excluded from rates in this proceeding?

How will the feed-in tariff affect HECO's system integration, planning, and administrative costs?

What are the options for HECO to recover the cost of HCEI Implementation Studies?

Panel 3: Expenses

A. Commodity prices

How, if at all, do commodity prices affect Transmission and Distribution Materials Inventory, Other Production Maintenance, and Other Production Operation costs?

B. IRP costs

Are HECO's test year integrated resource planning cost projections reasonable?

What integrated resource planning and Clean Energy Scenario Plan costs, including labor and consultants, does HECO anticipate during 2009 and 2010?

C. DSM costs

Are the proposed DSM costs reasonable?

Are the proposed DSM advertising expenses reasonable and cost effective?

D. AMI R&D Consulting

How, if at all, will the delay of AMI affect HECO's costs, such as R&D expenses?

E. Health Benefits

Are the proposed health insurance costs reasonable?

F. Outside services

Are the proposed outside services costs reasonable?

Should information technology upgrades be included in rates as proposed or be either amortized or normalized?

G. Cost-containment measures

How, if at all, should rates reflect recent HECO cost-containment measures, such as those reducing travel, training, overtime, and vehicle maintenance?

Panel 4: Employee Discount/Wages

A. Employee electricity discount

Taking into account all regulatory purposes (e.g., revenue requirement minimization, reduction in fossil fuel dependency), what are the advantages and disadvantages of the employee rate discount?

What would be the incremental cost to ratepayers of replacing the employee discount with dollar benefits of equal value to the employee discount?

If the Commission were to find that the employee discount is not consistent with the Commission and the company's statutory obligations, what options are available and when? Consider and assess the following options:

- a. Eliminating the Schedule E prior to the conclusion of the CBA.
- b. Eliminating the Schedule E following the conclusion of the CBA

B. Non-merit employee wage levels

Are the non-merit employee wage levels in the collective bargaining agreement reasonable? Based on what standard?

C. Merit employee wage levels

Are the merit employee wage levels reasonable? Based on what standard?

Panel 5: CT-1

A. CT-1 in-service date

What services has the CT-1 unit provided to date?

If the CT-1 unit has not provided service to date, when does HECO anticipate it will do so?

If the CT-1 unit costs are not recovered through rates set in this proceeding, what mechanisms could facilitate cost recovery when the unit enters service?

B. CIP cost prudence

How, if at all, could HECO have anticipated or prevented any of the cost overruns for CIP projects?

Should the CT-1 unit cost be subject to a prudence review?

Panel 6: Sales Decoupling/ECAC

A. Decoupling and sales forecast

How, if at all, would removal of decoupling affect forecasted sales or expenses?

To what extent have HECO's sales forecasts trended high or low in the past?

B. Energy Cost Adjustment Clause compliance with Act 162

Under Act 162 the ECAC must be designed, among other things, to "[a]llow the public utility to mitigate the risk of sudden or frequent fuel cost changes that cannot otherwise reasonably be mitigated through other commercially available means, such as through fuel hedging contracts;"

Is it feasible for HECO to reduce the risk of sudden or frequent fuel cost changes through hedging or other means absent the proposed ECAC clause?

Can HECO engage in budget billing without the CIS?

Can HECO engage in fixed rate billing without hedging?

What modifications of the ECAC, if any, are needed to comply with Act 162?

What fuel expense adjustments are appropriate if the CT-1 unit runs on fuels other than biofuels?

Should amount be updated or corrected given the status of the biofuel contract?

Panel 7: Purchased Power Adjustment Clause

How, if at all, will the proposed PPAC affect both overall ratepayer costs and rate variability?

What are the advantages and disadvantages of limiting the PPAC to small or new PPAs?

What are the advantages and disadvantages of monthly and quarterly PPAC cost adjustments?

How would the proposed PPAC affect HECO's working capital needs?

Panel 8: ADIT Adjustments – Book Depreciation

What is the basis for the ADIT book depreciation adjustment in the proposed Settlement Agreement?

Panel 9: Other Operating Revenues

Are the other operating revenues in the proposed Settlement Agreement reasonable?

Panel 10: Rate Design

Is the rate case or the AMI docket the appropriate venue to implement TOU rate design modifications?

Are the proposed number of TOU rate tiers, hours that the tiers cover, and the price differentials between peak and off-peak periods appropriate, taking into account HECO's load profile, electricity costs, and rate complexity?

Are the proposed number of inclining block rate tiers and the price differentials between tiers appropriate?

How have HECO's proposed rates considered changes in customer behavior due to rate design modifications?

Panel 11: Management Audit

What internal and external audits has HECO employed since 2007 and how has it implemented any results?

What should a potential management audit examine and how should it be carried out?

Panel 12 Informational Advertising

What, if any, informational advertising expenses are appropriate for HECO to recover through rates?

Panel 13: Cost of Capital

What is the appropriate ROE without decoupling, the Revenue Adjustment Mechanism or any new surcharges?

How can the ROE reflect risk reductions from various decoupling and Revenue Adjustment Mechanism options, the Purchased Power Adjustment Charge, and the REIS?

Panel 14: Closing Arguments